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ABSTRACT

This pamphlet begins by discussing two legal issues to be considered when negotiating and formalizing the production of computer programs for distribution within ECC (European Economic Community) countries: protection of the program against unauthorized copying, and the nature of the contracts to be prepared. It is noted that all member states of EEC have distinctive copyright laws designed to meet their own needs, and that, as signatories of the Berne convention, they are required only to protect the works of other member states to the same extent as their domestic product. The producer is advised to accept that, although software is likely to be protected in every EEC state, the character and extent of protection will vary from one to another, and that any attempt to protect software by preventing the transfer of tapes or discs across frontiers may be unenforceable under Treaty of Rome provisions. Discussion of the preparation of enforceable contracts acceptable to all parties emphasizes that this is a complicated issue, especially where parties are established in different countries. The producer is advised to seek advice from a lawyer familiar with international contract law, and to settle the various issues that make up the agreement in advance so that the lawyer is required only to prepare a document reflecting the deal and to advise on any outstanding problems. An outline of 12 main points that should be agreed upon and included in the agreement concludes the guide, and a list of the EEC countries with a brief note on protection of computer software in each country for which the information is available is appended. (BBM)

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THE PRODUCTION OF SOFTWARE FOR DISTRIBUTION IN EEC COUNTRIES

Copyright and Contract Issues

Geoffrey Crabb

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Council for Educational Technology

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THE PRODUCTION OF SOFTWARE FOR DISTRIBUTION IN EEC COUNTRIES: Copyright and Contract Issues

In essence, there are two legal issues to be considered when negotiating and formalising the production of computer programs for distribution within EEC countries. The first relates to the protection of the program against unauthorised copying and the second to the form and nature of the contracts to be prepared.

Copyright

Strictly speaking, there is no such thing as international copyright since states have distinctive copyright laws to suit their own needs. Some countries have no copyright law at all. Even those which are signatories to international conventions, such as Berne, do not undertake to follow a standard line but only to reach specified minimum standards and to protect the works of other member states to the same extent as their domestic product. The Berne Convention permits states to make concessions to users such as the private student and the educational institution but, here again, there is considerable diversity between one country and another.

All the member states of the EEC are also members of Berne. In Berne countries, it is generally accepted that programs are not suitable for protection through a patent although a program might be accepted as an integral part of a process or invention which is patentable. Conversely, it is generally accepted that Berne, which includes in its orbit the protection of literary works, protects by analogy computer programs as well. Some members have a law which specifically protects programs, one such being the UK which, following an amendment of 1985, now protects programs as if they were literary works. In the Annex will be found an indication of the copyright status of programs in some of the member states. It should not be regarded as definitive and, as legislation is being adapted all the time, the current position should be checked whenever software is to be distributed to EEC countries.

Although the producer of software within the EEC may be confident that the material will be protected in every member state, he will be in the same position as every other publisher or distributor of material in that the extent to which the material is protected will vary. Under copyright law, a producer may, after investigating the copyright law of a country, decide not to publish there because the level of protection is not sufficiently comprehensive to warrant the risk of unauthorised copying. For example, to distribute a piece of expensive educational software in a country whose copyright law permits unrestricted copying of it for educational use would not be commercially worthwhile.

Unfortunately, the producer's freedom under copyright law to exploit material territorially is rather restricted when releasing material within the EEC. This is because the underlying principle of the Treaty of Rome is the free and unrestricted flow of goods and services across the boundaries of the member states. In other words, once articles such as discs or cassettes have been marketed in one EEC state with the consent of the copyright owner, they may be freely exported to the others. On the other hand, this does not mean that they may be legally copied without the consent of the copyright owner. This contrast between the traditional way in which copyright has been marketed and the abolition of restrictions required by the EEC has led to a number of court cases in which the two opposing views have been considered. Although the courts have been reluctant to let EEC rules override copyright, there is little sympathy for producers and publishers who use copyright in order unfairly or unreasonably to seek a commercial advantage, restrain trade or exploit a monopolistic situation. Based on the decisions taken so far, the software producer is encouraged to regard the 12 EEC countries as being a single market which, in law, is what it is. Any attempt to do otherwise may not be enforceable and could expose the producer to the risk of legal action.

It is acknowledged above that programs are protected in all EEC states, albeit without uniformity. In addition, there are difficulties which arise where programs are protected in the same way and to the

same extent as an existing category of material, such as a literary work. Some experts consider that programs are so special and so distinctive in character that they should be protected as a discrete category, rather in the way that sound recordings or broadcasts are. Software is the latest in a long line of technology-driven materials which have been developed over the years and which have been forced into a copyright concept originally designed for written works. Previous examples have been photographs, sound recordings, films and broadcasts and each new product forced into the copyright mould has raised difficulties of interpretation. This is especially the case where the new product has been equated with an existing one, rather than as something new and special.

Programs, where they are equated with literary works as they are in the UK, are no exception. The queries which arise and which will be interpreted differently according to the country where the dilemma has to be resolved, include the following.

As a literary work, the first owner of the copyright is the author but who is this in relation to a program? The traditional view of the author creating words hardly seems appropriate, although over the years literary works have come to include directories and the like which are compiled rather than written. Some countries, the UK among them, provide that, where the author is an employee and the literary work is produced as part of the job, then the copyright will belong to the employer. Software producers will need to be satisfied as to the identity of the 'author', especially where a team of employees each contribute. Then again, some countries may treat ownership of commissioned works differently from that of other states. In short, the person who is the author and/or copyright owner in one state may have no claim to copyright in another. Some member states, but not the UK, give authors a moral right which cannot be transferred to another party and which protects the author from alteration to his work which might be damaging to his reputation.

Originality is essential for copyright protection. This is often

difficult to establish with written material and may cause even more problems with software. So much is derivitive that it may, in practice, be impossible to establish that a program is original and not just an adaptation of an existing one. In particular, the process known as 'cloning' raises a number of so-far unresolved matters of interpretation and it is too early to conjecture how the courts will deal with it.

Adaptation itself poses problems because, under Berne, the copyright owner has the right to control adaptation. Traditionally, this includes translating from one language to another, meaning say from English to French. The UK amendment provides that transferring from one code to another is something the copyright owner can control but other countries may have difficulty in deciding whether changing a computer language is 'adaptation' in the meaning of the national legislation. It is the case that, in some EEC countries, adapting a program could infringe the copyright in the original version.

Copying is a restricted act in every copyright legislation and whether directly or indirectly, in the same form or in a different form. But the form must be material and the use of a program on a computer raises the issue of whether loading a program into a computer does involve making a copy. The UK amendment makes it clear that it does, which in theory means that, having acquired a program, it may only legally be used with the consent of the copyright owner. Here again, other countries will view the practice rather differently, although most will recognise that, in supplying an article, there is an implied licence that the recipient may use it for the purposes for which it was supplied even though this would, under copyright law, be making a copy without permission.

Mention has already been made of the exemptions which are designed to help various users of copyright material to do so without undue restriction. Most countries will permit copying for private use and for educational purposes but the freedom to do so will vary from one to another. So will the way in which these concessions are extended to software. In the UK, for example, the amendment makes no mention of

concessions and so it may be assumed that the concessions which permit the use of literary material for research or private study and for educational purposes extend to software.

Moves have been afoot for some years to relieve the difficulties caused by the differing copyright legislation in EEC states. What is required is legislation which is common to all states and the EEC is to publish a Green Paper on how this might be achieved. But bearing in mind the tortuous process of change in the EEC and the fact that new members will introduce their own differing legislations to those already considered, it will be many years, if ever, before a common copyright law and interpretation will be available.

In the meantime the producer must accept that

1. Although software is likely to be protected in every EEC state, the character and extent of protection will vary from one to another.

2. Therefore, the extent to which software, once distributed, will be protected against unauthorised copying or other use will vary from one state to another.

3. Any attempt to protect the software by seeking to prevent transfer of tapes or discs across frontiers may be unenforceable under Treaty of Rome provisions, although unauthorised copying or other use of software so transferred may be illegal under local copyright legislation.

Contracts

The preparation of an enforceable contract acceptable to all parties is a complicated issue and even more so where the parties are established in different countries. The more there is at stake, the greater is the justification for seeking advice from a lawyer familiar with international contract law who may, in turn, consult with colleagues in the countries concerned. It will save much time and money if the various issues which make up the agreement are settled in advance, so that the lawyer is required only to prepare a document

reflecting the deal and advise on any outstanding problems.

The following list describes the main points which it would be advisable to agree on and include in the agreement.

1. Description of the content, style, treatment and purpose of the software and any associated printed material, such as manuals. To be expanded in an annex, if necessary.

2. Who is to do what? Who will be in control of the operation and who will have the final decision on matters of content and treatment? Who will be responsible for any de-bugging, both before and during exploitation?

3. Time-scale. A statement of when the work is to start and finish and the deadlines for any intermediate stages.

4. Finance. A statement of what each party is to pay in terms of money, services, staff, facilities, etc. A description of when payments are to be made, either related to dates or completion of parts of the work. This, or a new section, should also describe the formalities for getting the money paid, such as on receipt of invoices or statements by an appropriate person that a certain stage has been reached.

5. Contraints. Where the agreement involves the transfer of money across national frontiers, advice will be needed about exchange controls or other restrictions.

6. Copyright. Who is to hold it? Copyright may be held jointly but this can be difficult to administer. A better alternative is for one party to be the copyright owner, with the others having rights as specified in the agreement (see next paragraph). Where new material is produced, there should be included a warranty by the author that the work is original, that he is the author and that he is legally empowered to assign the copyright. Where material from other sources is to be included, it should be made clear who is

responsible for clearing the rights and whether the cost of any royalties are to be a charge on the funding decribed at 4.

What rights in the software are to be held by each party? Whether one party owns the copyright or it is held jointly, the agreement should describe the extent to which each may use the material or publish it in their own countries. Arrangements for distribution in other countries should also be described, as well as how the resulting revenue is to be apportioned among the parties and the accounting procedures to do it.

Agree what happens when it is found that software is being infringed. These provisions might include

a) Action will only be taken if there is agreement to do so by all parties.

b) If action is taken, it will be on behalf of the copyright owner(s) by the party in whose country the infringement has occurred.

c) All costs incurred or damages received as a result of the action being taken will be shared equally between the parties. The party in whose name proceedings are taken should be indemnified for the cost of the proceedings by the other parties.

d) If agreement cannot be reached on whether action should be taken, advice will be sought from a legal authority in the country concerned and the advice accepted.

7. Exploitation. Agree extent and any restrictions. For example, whether to be published for sale through shops or only mail order. Whether anyone can be supplied or only schools or other specified users. Are libraries to be supplied and if so on what terms? Will copies be supplied only on completion of a contract with the customer? This is a useful device where the protection afforded by copyright law is weak or untested because supplying under contract enables

restrictions as to copying, mode of use, networking, adapting, etc to be included in the terms which will then be enforceable under contract law. The agreement between the parties should be clear as to the terms on which the software is to be released to customers. It should be borne in mind that any agreement to restrict the flow of goods across the frontiers of member states or to attempt unreasonably to restrict competition may be illegal under EEC law. Also that contracts are only enforceable against the other party to the contract and not against third parties who may legally acquire the software.

8. Up-dating. Will there be any and, if so, who is responsible for both doing it and paying for it? What will be the rights of each party in the adaptations and how will these be passed to existing customers? Will customers be permitted to up-date? Any commitments which will be impossible or difficult to fulfil should be avoided when providing material to customers.

9. Jurisdiction. Under which countries' laws will the contract be judged in case of dispute and which countries' courts will have jurisdiction to hear the case? This is important as each party is likely to favour its own courts and law.

10. Termination. What are the arrangements if one party wishes to withdraw from the deal? Who takes over its rights and what happens to its share of any income?

11. Assignment. Can any party to the agreement assign its rights and privileges to another party? Consider whether this should only be permitted with the consent of the other parties.

12. In which language is the contract to be drawn and, if in more than one, which language will prevail?

Further advice on copyright matters can be obtained from the Rights Development Officer, Council for Educational Technology, 3 Devonshire Street, London W1N 2BA.

ANNEX

Protection of Computer Software in EEC Countries

The following indicates the extent of protection for software in EEC States as at August 1987, as far as can be ascertained. The situation is changing as various states amend legislation and this list will be updated from time to time. When distribution to EEC countries is contemplated, it is advisable to consult the appropriate authority or seek legal advice in those countries. There is a general presumption that, as members of the Berne Convention, in all these countries programs may be protected as literary works even where specific provision is not made for them.

Belgium
No information available.

Denmark
No information available.

France
No specific mention of computer software in the copyright law of 1957 but a number of court decisions have been in favour of protection. Pending a decision by the Supreme Court, the situation is uncertain. If protected, copies may be made for private use of copyist.

German Federal Republic
No specific mention in copyright law of 1974. There have been many court cases but judges have had difficulty in deciding whether programs are protectable but the Court of Appeal has held that they are. Moves are afoot to change the law so that programs are a type of linguistic work but it is not thought that they will be subject to the right to make a copy for private purposes, which is a feature of German law for other materials.

Greece
No mention in copyright law of 1920 but consideration is being given to providing protection.

Ireland
Software is protected as a literary work under the copyright law of 1964. Copying for private use and for use in education is permitted within limits defined in the legislation.

Italy
No mention of software in copyright law of 1941 but indications are that courts will accept that it is protected. Copying for personal use might also be permitted.

Luxembourg
No information available.

Netherlands
No mention of software in copyright law of 1912 but courts have accepted protection is appropriate, in which case small portions of a program may be copied for private, library and educational use.

Portugal
No information available.

Spain
Spanish copyright law dates from 1879 with amendments but no mention of programs. Consideration is being given to making special provisions but no further details available.

United Kingdom
Software is protected by an amendment to the 1956 act. This treats programs in the same way as literary works. They may therefore be copied under fair dealing for the purposes of research or private study and may also be copied in school if an appliance for making multiple copies is not used. This situation may change when new legislation is introduced shortly.

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